

# COMPETITIVE POSITION

## Competitive Comparison: Costs and Prices

### TVA's Competitors

Historically, TVA's competitors have been defined as the largest generating utilities located adjacent to the seven-state area served by TVA in the Southeast region of the U.S.

As the electric utility industry is restructured, it is prudent for TVA to consider those utilities, both inside and outside the Southeast region, that could compete for Tennessee Valley customers. To determine who these future competitors may be, TVA evaluated (1) large net generators or providers of energy (50 million MWhs or more) and (2) utilities located within the eastern interconnecting grid. The analysis was limited to these two criteria to provide relative comparisons of cost and pricing data.

Based on these criteria, TVA has identified the companies listed below as the largest net generators for comparing generation and transmission costs and average residential, commercial, and industrial prices.

For comparative purposes, TVA also included average cost information related to the nation's largest public power systems. These systems are defined as public power systems with sales in excess of 120,000 MWhs into either wholesale or retail markets for two years in a row or more. Western Area Power Administration, New York Power Authority, and Nebraska Public Power District are examples of the nearly 450 large public utilities included in this comparison.

### Largest TVA Competitors

Company	1998 Wholesale Sales (Millions of kWh)	1998 Net Generation (Millions of kWh)
Tennessee Valley Authority	122,143	155,484
Cinergy Corp. <sup>1</sup>	85,472	56,919
American Electric Power / Central South West Corp. <sup>2</sup>	70,716	192,992
PECO Energy/ Unicom Corp.	57,200	124,733
Southern Company <sup>3</sup>	38,618	163,708
Entergy <sup>4</sup>	31,967	97,742
Carolina Power & Light / Florida Power Corp.	18,291	81,797
Ameren Corp. <sup>5</sup>	17,156	58,622
Dominion Resources	10,343	62,172
FirstEnergy <sup>6</sup>	8,779	60,155
Duke Energy	8,653	83,090
DTE Energy Co.	7,076	51,259
FPL Group	4,221	79,849

Source: RDI PowerDat

<sup>1</sup> Includes PSI Energy, Inc., Cincinnati Gas & Electric Co., West Harrison Gas & Electric Co., Union Light, Heat & Power Co.

<sup>2</sup> Includes AEP Generating Co., Appalachian Power Co., Columbus Southern Power Co., Indiana Michigan Power Co., Kentucky Power Co., Kingsport Power Co., Ohio Power Co., Wheeling Power Co., Central Power & Light Co., PSC of Oklahoma, Southwestern Electric Power Co., West Texas Utilities Co.

<sup>3</sup> Includes Alabama Power Co., Georgia Power Co., Gulf Power Co., Mississippi Power Co., Savannah Electric & Power Co., Southern Electric Generating Co.

<sup>4</sup> Includes Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Power, Inc., System Energy Resources, Inc.

<sup>5</sup> Includes AmerenCIPS, AmerenUE, Electric Energy, Inc.

<sup>6</sup> Includes Cleveland Electric Illuminating Co., Ohio Edison Co., Pennsylvania Power Co., Toledo Edison Co.



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### 1998 Operating Cost<sup>1</sup> Comparison

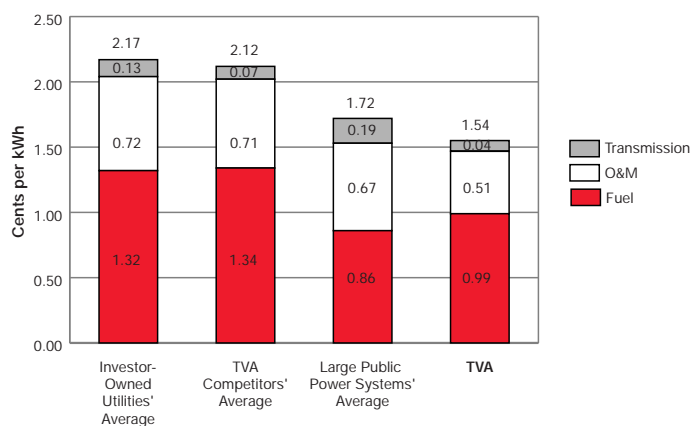
TVA Competitors	Transmission Costs (Cents/kWh)	Operations & Maintenance Costs (Cents/kWh)	Fuel Costs (Cents/kWh)	Total Operating Costs (Cents/kWh)
FirstEnergy	0.07	1.36	1.22	<b>2.65</b>
PECO Energy / Unicom Corp.	0.06	1.39	1.13	<b>2.58</b>
Entergy	0.09	0.62	1.61	<b>2.32</b>
FPL Group	0.06	0.53	1.71	<b>2.30</b>
American Electric Power / Central South West Corp.	0.10	0.55	1.50	<b>2.15</b>
Carolina Power & Light / Florida Power Corp.	0.07	0.65	1.41	<b>2.13</b>
Southern Company	0.08	0.56	1.41	<b>2.05</b>
DTE Energy Co.	0.06	0.62	1.34	<b>2.02</b>
Cinergy Corp.	0.08	0.44	1.28	<b>1.80</b>
Ameren Corp.	0.04	0.60	1.06	<b>1.70</b>
Duke Energy	0.05	0.68	0.92	<b>1.65</b>
Dominion Resources	0.06	0.50	1.08	<b>1.64</b>
<b>TVA Competitors' Average</b>	0.07	0.71	1.34	<b>2.12</b>
<b>Large Public Power Systems' Average<sup>2</sup></b>	0.19	0.67	0.86	<b>1.72</b>
<b>Investor-Owned Utilities' Average</b>	0.13	0.72	1.32	<b>2.17</b>
<b>TVA</b>	<b>0.04</b>	<b>0.51</b>	<b>0.99</b>	<b>1.54</b>

Source: RDI PowerDat

<sup>1</sup> Operating costs, as presented, do not include tax or tax equivalent payments, depreciation, or amortization.

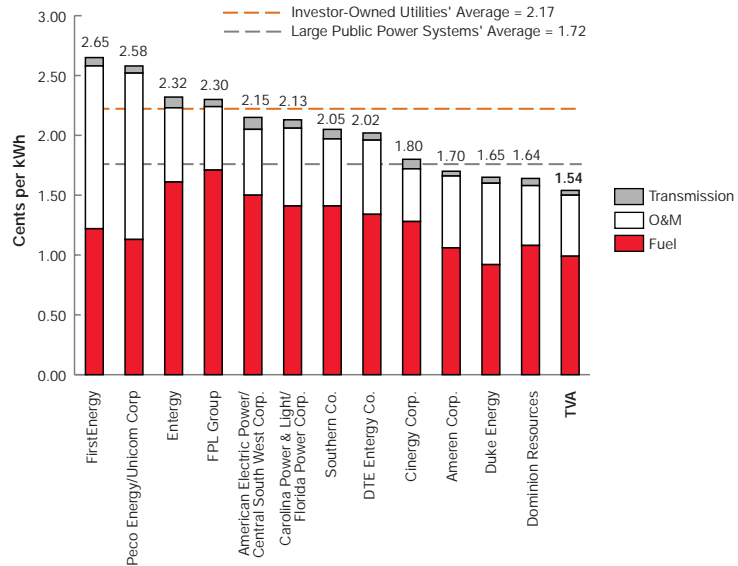
<sup>2</sup> Large public power systems are defined as public power systems with sales in excess of 120,000 MWh, into either wholesale or retail markets for two years in a row or more.

### 1998 Average Net Generation and Transmission Costs



## 1998 Average Net Generation and Transmission Costs

TVA's Largest Competitors



## CY1998 Price Comparison

TVA Competitors	Residential (Cents/kWh)	Commercial (Cents/kWh)	Industrial (Cents/kWh)
PECO Energy / Unicom Corp.	11.45	8.73	6.23
FirstEnergy	10.94	9.47	5.87
DTE Energy Co.	9.11	8.22	5.09
Carolina Power & Light / Florida Power Corp.	8.30	6.26	4.90
Dominion Resources	7.99	5.65	3.86
FPL Group	7.87	6.47	4.99
Entergy	7.43	6.53	4.21
Ameren Corp.	7.41	6.21	3.49
Duke Energy	7.28	5.80	3.99
Southern Company	7.26	6.61	4.10
Cinergy Corp.	7.06	5.77	3.89
American Electric Power / Central South West Corp.	6.51	5.70	3.66
<b>TVA Competitors' Average</b>	8.06	6.76	4.43
<b>National Average</b>	8.26	7.41	4.48
<b>TVA and Distributors</b>	<b>6.38</b>	<b>6.39</b>	<b>3.85</b>

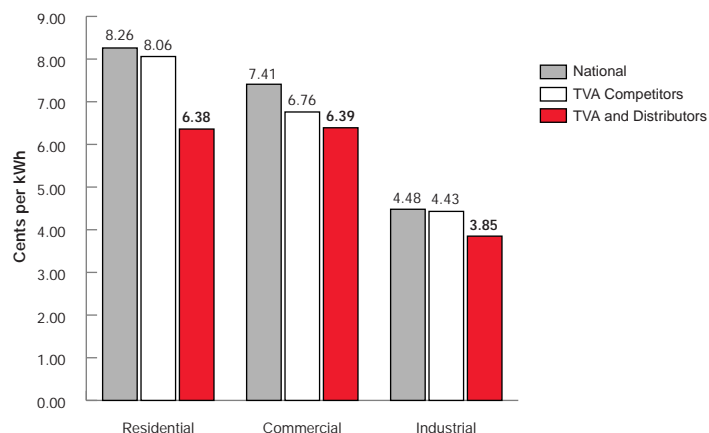
Source: RDI PowerDat

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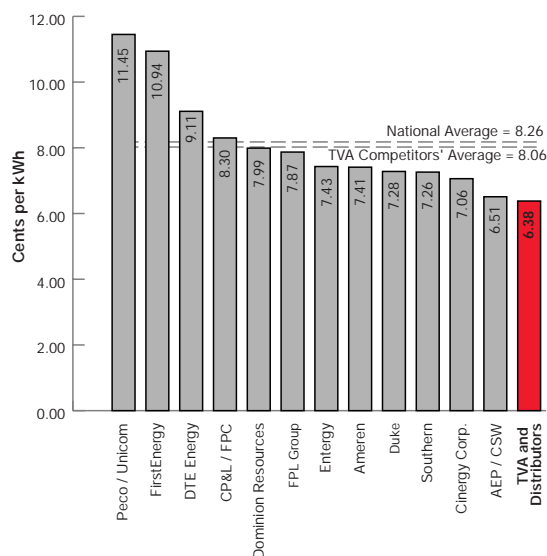
### CY1998 Price Comparison

#### CY1998 Average Price Comparison



#### CY1998 Average Residential Price

TVA's Largest Competitors



#### CY1998 Average Commercial Price

TVA's Largest Competitors

